



February 22, 2006

TO: Transportation Authority of Marin Commissioners

FROM: Dianne Steinhauser, Executive Director

RE: R.J. Ricciardi Contract Amendment, Agenda Item 5a

Dear Commissioners:

### **Executive Summary**

At the June 22, 2006 meeting, upon a recommendation from the Citizen's Oversight Committee, the TAM Board approved an amendment to the professional contract with the Certified Public Accountant firm of R.J. Ricciardi to retain them for an additional year of audit services. The first amendment to the contract extended the original contract to include the fiscal audit for FY2005-06, for an amount not-to-exceed \$12,000. Due to additional technical work, the effort and time that are being put into the process are exceeding the original estimate, which increases the potential cost of the FY 2006-07 fiscal audit tasks from \$12,000 to \$19,000. The additional work is necessary to isolate the Measure A revenues and expenditures, and to meet the additional reporting needs associated with governmental financial activities.

**Recommendation: Staff recommends that TAM authorize the Executive Director to execute the second amendment to the Professional Services Contract with R.J. Ricciardi to conduct the FY 2005-06 Fiscal Audit for an amount not-to-exceed \$19,000.**

### **Background**

At the June 22, 2006 meeting, the TAM Board approved the first amendment to the profession contract with R.J. Ricciardi, which extends the original contract from only cover FY 2004-05 fiscal audit of TAM to include the fiscal audit for FY2005-06. The consultant team started to work diligently on TAM's FY 2005-06 Fiscal Audit in the Fall. However, the effort and time that was put into the process is substantially exceeding the original estimates primarily due to the following two reasons:

1. Difficulties in identifying Measure A revenues and expenditures separately per the accounting records generated. As part of the first amendment, the work scope was modified from that of the FY2004-05 audit to include the requirement that revenues and expenditures related to the Measure A transportation sales tax funds will be identified separately. However, due to the shortage of staff resources available for TAM's daily accounting functions, revenues and expenditures for Measure A were not kept separately during FY2005-06. An extensive amount of additional consultant and staff time was

pulled into the process just so we could accurately identify all Measure A related revenues and expenditures, and then to reconcile the difference between what was presented in the accounting records and in the financial statements.

2. Change of basis of the audit report from business-type activities to governmental activities. During the FY2004-05 fiscal audit, based on a low amount of financial activity the first year of TAM's existence, our consultant from R.J. Ricciardi and staff from TAM jointly decided that TAM's financial activities were mainly proprietary, business-type. Since then TAM staff has determined that it is more appropriate for TAM's financial activities to be audited as governmental type due to the nature of TAM's funding sources. Additional reconciliation and report requirements were generated due to this new basis, and so an increased fee is necessary.

### **Budget**

The contract amendment provides an additional \$7,000 for R.J. Ricciardi, Inc to cover the additional workload due to the addition of unforeseen technical work during the auditing process. The additional cost will come from the Consultant Pool line item in TAM's FY2006-07 Budget, of which sufficient reserve remains to cover the cost.

### **Recommendation**

**Staff recommends that TAM authorize the Executive Director to execute the second amendment to the Professional Services Contract with R.J. Ricciardi to conduct the FY 2005-06 Fiscal Audit for an amount not-to-exceed \$19,000.**

### **Attachments:**

Second Addendum to Professional Services Contract C-FY05/06-002, with  
R.J. Ricciardi, Inc., CPA  
Addendum Exhibit B - Fees and Payment Schedule

**SECOND ADDENDUM TO AGREEMENT C-FY05/06-002**

**BY AND BETWEEN THE  
TRANSPORTATION AUTHORITY OF MARIN  
AND R.J. RICCIARDI, INC., DATED FEBRUARY 22, 2007**

**THIS SECOND ADDENDUM** is made and entered into this 22<sup>ND</sup> day of FEBRUARY 2007 by and between the TRANSPORTATION AUTHORITY of MARIN, hereinafter referred to as "TAM" and R.J. Ricciardi, Inc., hereinafter referred to as "Contractor."

**RECITALS:**

**WHEREAS**, TAM and the Contractor entered into an agreement dated 22 September 2005 ("Agreement"); and

**WHEREAS**, Exhibit A to the Agreement obligated Contractor to perform the audit and express an opinion on the fair presentation of TAM's general purpose financial statements; and

**WHEREAS**, the parties desire to amend the Agreement to address cost increase due to additionally required technical work unforeseen when the 1<sup>st</sup> contract amendment was executed;

**NOW, THEREFORE**, the parties agree to modify Exhibits B as set forth below.

**AGREEMENT:**

1. Except as otherwise provided herein all terms and conditions of the agreement shall remain in full force and effect.
2. Exhibits B is hereby amended to read as follows: see Exhibit B.

**IN WITNESS WHEREOF**, the parties hereto have executed this Second Addendum on the day first written above.

**"TAM"**

**TRANSPORTATION AUTHORITY of MARIN:**

By: \_\_\_\_\_  
Executive Director,  
Dianne Steinhauser

**"CONTRACTOR"**

**R. J. Ricciardi, Inc.**

By: \_\_\_\_\_  
Michael O'Conner

## **EXHIBIT A**

### **SCOPE OF SERVICES**

#### **A. Scope of Work to be Performed**

RJ Ricciardi (Contractor) will express an opinion on the fair presentation of TAM's general purpose financial statements and combining financial statements in conformity with generally accepted accounting principles.

#### **B. Auditing Standards to be Followed**

To meet the requirements of this request for proposals, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards, the requirements of the *California Code of Regulations* (Title 2, Division 2, Chapter 2, Subchapter 5), and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments.

#### **C. Reports to be Issued**

Following the completion of the audit of the fiscal year's financial statements, the Contractor shall issue:

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
2. A report on the internal control structure based on the Contractor's understanding of the control structure and assessment of control risk.
3. A management report with recommendations for improving operations.
4. Completion and filing of the federal "Data Collection Form for Reporting on Audits Of States, Local Governments, And Non-Profit Organizations [Form SF-SAC].

The Contractor will prepare the initial draft of the financial statements, the footnote disclosures and schedules for review and acceptance by TAM. In the draft financial statements, the Contractor will breakout revenues and expenditures related to the Measure A transportation sales tax funds. Final report preparation, editing, and printing shall be the responsibility of the Contractor.

#### **D. Presentation of the Audit**

Following the completion of the audit, the Contractor will attend a meeting of the Citizens' Oversight Committee to present the audit and respond to questions.

#### **E. Working Paper Retention and Access to Working Papers**

All working papers and reports must be retained, at the Contractor's expense, for a minimum of five (5) years, unless the firm is notified in writing by TAM of the need to

extend the retention period. The Contractor will be required to make working papers available, upon request, to the following parties or their designees:

- The Citizens' Oversight Committee
- TAM
- Cognizant Agencies for Federal grants
- U.S. General Accounting Office (GAO)
- Parties designated by the federal or state governments or by TAM as part of an audit quality review process

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

**F. Assistance to be Provided to the Contractor**

TAM management and clerical staff as well as TAM's consultants will be available during the audit to assist the firm by providing information, documentation and explanations.

It should also be noted that there is limited space available for the Contractor. A small meeting room will be made available, which will comfortably accommodate two to four people. The Contractor will be provided with access to a telephone, photocopying and fax machines.

**EXHIBIT B**  
**FEES AND PAYMENT SCHEDULE**

**Financial Audit for the fiscal year ended June 30, 2006**

Contractor will be compensated as follows, with the total not to exceed \$19,000 over the contract performance period from September 26, 2005 to June 30, 2006.

- Financial audit for fiscal year ending June 30, 2006.

Total Fee:     \$17,000

- Technical assistance to be billed at \$125 per hour plus out-of-pocket expenses.  
This service will be rendered on an as-needed basis through the fiscal year.

Not to Exceed:     \$2,000

**Maximum not to exceed amount:     \$19,000**